

**APPROVAL BY THE IRELAND-UK (IU) REGULATORY
AUTHORITIES
OF**

THE IU TSOs' PROPOSAL

**FOR A METHODOLOGY FOR SPLITTING LONG-TERM
CROSS-ZONAL CAPACITY**

22 JULY 2019

I. Introduction and legal context

This document elaborates an agreement of the Regulatory Authorities within the Ireland-United Kingdom (IU) Capacity Calculation Region (CCR), agreed on 19 July 2019, on the IU Transmission System Operators' (TSO) proposal for:

- i. A methodology for splitting long-term cross-zonal capacity (splitting rules methodology) in accordance with Article 16 of Regulation 2016/1719¹.

This agreement of the IU Regulatory Authorities shall provide evidence that a decision on the methodology does not, at this stage, need to be adopted by the Agency for the Cooperation of Energy Regulators (ACER) pursuant to Article 4(10) of Regulation 2016/1719. This opinion is intended to constitute the basis on which the IU Regulatory Authorities will subsequently make national decisions pursuant to Article 4(11) of Regulation 2016/1719.

The legal provisions relevant to the submission and approval of the proposal, and this IU Regulatory Authority agreement, can be found in Articles 3, 4, and 16 of Regulation 2016/1719. They are set out below for reference.

Article 3 of Regulation 2016/1719:

This Regulation aims at:

- (a) *promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) *optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) *providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) *ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) *respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) *ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) *contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

¹ [Commission Regulation \(EU\) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation](#). The FCA Regulation came into force on 26 September 2016. It builds on the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation) to maximise efficiency in cross-border electricity trading.

Article 4 of Regulation 2016/1719:

Adoption of terms and conditions or methodologies

1. *TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of these terms and conditions or methodologies.*
2. (...)
3. (...)
4. (...)
5. *Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.*
6. (...)
7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:*
 - (a) *the capacity calculation methodology pursuant to Article 10;*
 - (b) *the methodology for splitting cross-zonal capacity pursuant to Article 16;*(...)
8. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
9. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7 within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
10. (...)
11. (...)
12. (...)
13. *TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 7.*

Article 16 of Regulation 2016/1719:

Methodology for splitting long-term cross-zonal capacity

1. *No later than the submission of the capacity calculation methodology referred to in Article 10, the TSOs of each capacity calculation region shall jointly develop a proposal for a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region. The proposal shall be subject to consultation in accordance with Article 6.*
2. *The methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:*
 - (a) *it shall meet the hedging needs of market participants;*
 - (b) *it shall be coherent with the capacity calculation methodology;*
 - (c) *it shall not lead to restrictions in competition, in particular for access to long-term transmission rights.*

II. The IU TSOs' proposal

IU TSOs have submitted a proposal for the splitting rules methodology which we describe in this section.

The splitting rules methodology proposes a coordinated approach for splitting long-term cross-border capacity between the different long-term timeframes within the IU CCR. The proposal must meet the hedging needs of market participants, be coherent with the long-term capacity calculation methodology and it must not lead to restrictions in competition, in particular for the access to long-term transmission rights. The methodology includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2016/1719, in line with Article 4(8) of Regulation 2016/1719.

The splitting rules methodology was consulted on by the IU TSOs through ENTSO-E between 5 December 2018 and 7 January 2019, in line with Article 6 of Regulation 2016/1719².

The splitting rules methodology was received by the last IU Regulatory Authority on 23 January 2019. Article 4(9) of Regulation 2016/1719, requires Regulatory Authorities of the IU CCR to consult, closely cooperate and coordinate with each other in order to reach an agreement, and make a decision within six months following the receipt of the methodology. A decision on the splitting rules methodology is therefore required by each relevant Regulatory Authority by 23 July 2019.

² The consultation is available on the ENTSO-E website: <https://consultations.entsoe.eu/markets/iu-splitting-rules/>

III. The IU Regulatory Authorities' position

The IU Regulatory Authorities agree that the splitting ranges³ specified in Annex 1 of the splitting rules methodology provide sufficient flexibility for IU TSOs to best meet the hedging needs of market participants. Indeed, Annex 1 sets splitting ranges wide enough to let IU TSOs respond to market needs, while at the same time ensuring that a mix of products are available to market participants.

Article 6 ensures that the capacity split will be published “*before the first allocation of capacity relating to that delivery year, providing sufficient transparency to market participants*”.

Article 3.2 confirms that the splitting rules methodology is compatible with the day ahead and intraday capacity calculation and that it shall apply to the split of the long term cross zonal capacity of each interconnector. This will be determined in line with the long term capacity calculation methodology, once approved, in line with Article 10 of Commission Regulation (EU) 2016/1719. Furthermore, the proposed splitting rules methodology does not lead to restrictions in competition.

In light of the above assessment and considerations, IU Regulatory Authorities share the opinion that the splitting rules methodology capacity can be approved.

IV. Actions

The IU Regulatory Authorities have assessed, consulted, closely cooperated and coordinated to reach an agreement that the splitting rules methodology meets the requirements of Regulation 2016/1719 and as such can be approved by the relevant Regulatory Authorities.

The IU Regulatory Authorities must therefore issue their national decisions, on the basis of this agreement, by the 23 July 2019. The splitting rules methodology will be adopted upon the decision of the last Regulatory Authority.

Following national decisions by the IU Regulatory Authorities, IU TSOs will be required to publish the methodology as approved on their website, in line with Article 4(13) of Regulation 2016/1719 and must meet the implementation deadline required by the Article 7 of the splitting rules methodology.

³ As per Article 4(1) of the IU splitting rules methodology, the Splitting Ranges must state the maximum and minimum percentage of an Interconnector's LTCZC to be allocated in each Long-Term timeframe, for each Interconnector.